



Ministry
of
Revenue

Bernard Grandmaître
Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

Number 1-88

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ONTARIO BUDGET 1988

This Bulletin summarizes changes in the Retail Sales Tax Act proposed by the Treasurer of Ontario in the Budget of April 20, 1988.

If you require further information, please contact your local Retail Sales Tax Office listed in the blue pages of your telephone directory.

The details presented in this Bulletin are intended only as a guideline. For greater accuracy in specific applications, you should refer to the Retail Sales Tax Act and Regulations.

BUDGET HIGHLIGHTS

EFFECTIVE MAY 2, 1988

- Tax Rate Increase
 - Goods
 - Rentals
 - Repairs
 - Telephone Services
 - Sheet Metal Manufacturers
- Fair Value — Telecommunications Services
- Advertising Supplements and Advertising Inserts
- Ready-Mix and Asphalt Producers
- Relief for Contractors
- 8% Retail Sales Tax Schedule (see back page)

OTHER

- Delivery Charges
 - Penalties
 - Ontario Sales Tax Guides
-



TAX RATE INCREASE

Effective May 2, 1988, the 7% retail sales tax rate increases to 8%. The tax rates for transient accommodation, alcoholic beverages and admissions to places of amusement are unchanged.



GOODS

The date goods are delivered to or received by the purchaser in Ontario will determine whether the old or the new tax rate applies.

Examples:

- A customer orders an appliance before May 2, 1988 and asks to have it delivered.
 - If the vendor delivers the appliance before May 2, 1988, 7% tax applies.
 - If the vendor delivers the appliance on or after May 2, 1988, 8% tax applies.
- A customer signs a contract for a motor vehicle before May 2, 1988.
 - If the vehicle is ready and picked up by the customer or delivered to him before May 2, 1988, 7% tax applies.
 - If the vehicle is picked up by the customer or delivered to him on or after May 2, 1988, 8% tax applies. The date of delivery to the customer determines the appropriate rate of tax; the date of registration does not determine the tax rate.



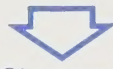
RENTALS — TAXABLE GOODS

Rental payments due and payable on and after May 2, 1988 for taxable goods are subject to tax at the rate of 8%.



REPAIRS — TAXABLE GOODS

A charge for the repair of goods is subject to tax at the rate of 8% if the purchaser takes delivery of the repaired item on or after May 2, 1988.



TELEPHONE SERVICES

Charges or payments made for telephone and other telecommunications services provided on or after May 2, 1988 are subject to tax at the rate of 8%. Where the billing covers the periods both before and after the tax change the new 8% tax rate applies only to that portion after May 1, 1988.



SHEET METAL MANUFACTURERS

Sheet metal manufacturers who use goods of their own manufacture in performing construction contracts are required to pay tax on the manufactured cost of these goods where this cost exceeds \$50,000 in a fiscal year. In this case, they may calculate the tax using either actual costs or a formula. The approved formula has been revised to reflect the new 8% tax rate. Where this formula is used, the tax on goods manufactured after May 1, 1988 for own use in performing construction contracts will be calculated by

applying the following factors to the cost of materials (excluding federal sales tax):

Type of Metal	Factor
Galvanized Metal	
— unfinished	17%
— painted	14%
Copper	12%
Stainless Steel	12%
Aluminum	15%
Roofdeck	11%



FAIR VALUE — TELECOMMUNICATIONS SERVICES

Under the provisions of the Retail Sales Tax Act, the federal sales tax imposed on carriers or providers of cable and pay television services is part of the fair value on which Ontario retail sales tax is calculated.

Effective May 2, 1988, the recently introduced federal tax on consumers of other specified types of telecommunication will also be part of the fair value of those services for retail sales tax purposes.



ADVERTISING SUPPLEMENTS AND ADVERTISING INSERTS

The exemption for advertising supplements and advertising inserts distributed exclusively with newspapers is withdrawn. Effective May 2, 1988, all supplements or inserts such as sales catalogues, flyers and pamphlets will attract tax at the rate of 8% regardless of the method of distribution.

However, an advertising section remains exempt if it is readily apparent that the section is an integral part of the newspaper. Such a section would have the newspaper name and date of issue on the masthead, be in the same format and on the same size of paper as the rest of the newspaper, and be sequentially numbered as part of the newspaper.

Magazines which are published and distributed as part of a newspaper also remain exempt.



READY-MIX AND ASPHALT PRODUCERS

Effective May 2, 1988, producers of ready-mix concrete or asphalt mix are considered to be vendors and manufacturers rather than consumers of these products.

As vendors, these producers must obtain a retail sales tax vendor permit and collect and remit 8% retail sales tax on the selling price of their products. The materials used in producing these products may be purchased tax-exempt by providing a purchase exemption certificate to the supplier. A refund application may be filed with the Retail Sales Tax Branch to recover the tax paid on materials held in inventory on May 1, 1988.

Vendors whose sales of ready-mix concrete or asphalt mix exceed \$5,000 in a fiscal year are eligible for exemption for certain machinery, equipment and consumables used in the production of their products; however, licensed vehicles have been specifically excluded from the exemption.

The exemptions are also available to producers of ready-mix concrete or asphalt mix who use their products in carrying out construction contracts if the manufactured cost of the products so used exceeds \$50,000 in a fiscal year. Where this is the case, they must account for tax on the manufactured cost of the product used in this way.



RELIEF FOR CONTRACTORS

A construction contractor whose contract with the customer does not permit tax increases to be passed on may apply to the Retail Sales Tax Branch for a refund of the additional 1% tax paid on purchases made on or after May 2, 1988 to fulfill a construction contract signed before April 21, 1988. In the case of purchases of ready-mix or asphalt, the refund will be 8%.

Where a contractor who produces ready-mix or asphalt mix enters into a contract before April 21, 1988 for the supply and installation of these products and the contract does not permit tax increases to be passed on to the customer, the contractor may apply to the Retail Sales Tax Branch for a refund of the increased cost due to the change in legislation effective May 2, 1988.



DELIVERY CHARGES

Effective May 2, 1988, all charges made by a vendor for delivery of taxable goods are part of the fair value of the goods and subject to tax. This applies regardless of where the purchaser acquires title to the goods and assumes risk for their loss.

A delivery charge for a shipment containing both taxable and non-taxable goods may be prorated and only the portion applicable to the taxable goods need be included in the amount on which tax is calculated.

Where goods are rented, a delivery charge by the lessor is part of the rental price on which tax is payable.



PENALTIES

The following changes to the penalties imposed under the Retail Sales Tax Act come into effect on May 2, 1988.

New Penalty:

operating without a vendor's permit — \$100 per day

Existing Penalty Increased:

understating fair value — \$2,000 maximum increased to \$2,500

Clarification:

where goods otherwise taxable are sold tax-exempt to a person buying them for resale, a vendor's records must clearly identify the person to whom such goods were sold; otherwise, the vendor will be subject to a penalty for non-collection of tax.



ONTARIO SALES TAX GUIDES

Updated versions of the following Ontario Sales Tax Guides will be available at Retail Sales Tax Offices shortly:

<u>Guide No.</u>	<u>Topic</u>
105	Penalties
108	Imported Goods
111	Production Machinery and Consumables
121	Prepared Foods
123	Tax-Included Pricing
124	Accommodation
125	Alcoholic Beverages
126	Admissions
129	Delivery Charges
148	Newspapers and Supplements
150	Retail Sales Tax Rates
705	Printing for Own Use

Retail Sales Tax Schedule at 8%																	
Amount \$ \$ \$			Tax \$			Amount \$ \$ \$			Tax \$			Amount \$ \$ \$			Tax \$		
.21 to .31	.02		10.82 to 10.93	.87		21.44 to 21.56	1.72		32.07 to 32.18	2.57		42.69 to 42.81	3.42				
.32 — .43	.03		10.94 — 11.06	.88		21.57 — 21.68	1.73		32.19 — 32.31	2.58		42.82 — 42.93	3.43				
.44 — .56	.04		11.07 — 11.18	.89		21.69 — 21.81	1.74		32.32 — 32.43	2.59		42.94 — 43.06	3.44				
.57 — .68	.05		11.19 — 11.31	.90		21.82 — 21.93	1.75		32.44 — 32.56	2.60		43.07 — 43.18	3.45				
.69 — .81	.06		11.32 — 11.43	.91		21.94 — 22.06	1.76		32.57 — 32.68	2.61		43.19 — 43.31	3.46				
.82 — .93	.07		11.44 — 11.56	.92		22.07 — 22.18	1.77		32.69 — 32.81	2.62		43.32 — 43.43	3.47				
.94 — 1.06	.08		11.57 — 11.68	.93		22.19 — 22.31	1.78		32.82 — 32.93	2.63		43.44 — 43.56	3.48				
1.07 — 1.18	.09		11.69 — 11.81	.94		22.32 — 22.43	1.79		32.94 — 33.06	2.64		43.57 — 43.68	3.49				
1.19 — 1.31	.10		11.82 — 11.93	.95		22.44 — 22.56	1.80		33.07 — 33.18	2.65		43.69 — 43.81	3.50				
1.32 — 1.43	.11		11.94 — 12.06	.96		22.57 — 22.68	1.81		33.19 — 33.31	2.66		43.82 — 43.93	3.51				
1.44 — 1.56	.12		12.07 — 12.18	.97		22.69 — 22.81	1.82		33.32 — 33.43	2.67		43.94 — 44.06	3.52				
1.57 — 1.68	.13		12.19 — 12.31	.98		22.82 — 22.93	1.83		33.44 — 33.56	2.68		44.07 — 44.18	3.53				
1.69 — 1.81	.14		12.32 — 12.43	.99		22.94 — 23.06	1.84		33.57 — 33.68	2.69		44.19 — 44.31	3.54				
1.82 — 1.93	.15		12.44 — 12.56	1.00		23.07 — 23.18	1.85		33.69 — 33.81	2.70		44.32 — 44.43	3.55				
1.94 — 2.06	.16		12.57 — 12.68	1.01		23.19 — 23.31	1.86		33.82 — 33.93	2.71		44.44 — 44.56	3.56				
2.07 — 2.18	.17		12.69 — 12.81	1.02		23.32 — 23.43	1.87		33.94 — 34.06	2.72		44.57 — 44.68	3.57				
2.19 — 2.31	.18		12.82 — 12.93	1.03		23.44 — 23.56	1.88		34.07 — 34.18	2.73		44.69 — 44.81	3.58				
2.32 — 2.43	.19		12.94 — 13.06	1.04		23.57 — 23.68	1.89		34.19 — 34.31	2.74		44.82 — 44.93	3.59				
2.44 — 2.56	.20		13.07 — 13.18	1.05		23.69 — 23.81	1.90		34.32 — 34.43	2.75		44.94 — 45.06	3.60				
2.57 — 2.68	.21		13.19 — 13.31	1.06		23.82 — 23.93	1.91		34.44 — 34.56	2.76		45.07 — 45.18	3.61				
2.69 — 2.81	.22		13.32 — 13.43	1.07		23.94 — 24.06	1.92		34.57 — 34.68	2.77		45.19 — 45.31	3.62				
2.82 — 2.93	.23		13.44 — 13.56	1.08		24.07 — 24.18	1.93		34.69 — 34.81	2.78		45.32 — 45.43	3.63				
2.94 — 3.06	.24		13.57 — 13.68	1.09		24.19 — 24.31	1.94		34.82 — 34.93	2.79		45.44 — 45.56	3.64				
3.07 — 3.18	.25		13.69 — 13.81	1.10		24.32 — 24.43	1.95		34.94 — 35.06	2.80		45.57 — 45.68	3.65				
3.19 — 3.31	.26		13.82 — 13.93	1.11		24.44 — 24.56	1.96		35.07 — 35.18	2.81		45.69 — 45.81	3.66				
3.32 — 3.43	.27		13.94 — 14.06	1.12		24.57 — 24.68	1.97		35.19 — 35.31	2.82		45.82 — 45.93	3.67				
3.44 — 3.56	.28		14.07 — 14.18	1.13		24.69 — 24.81	1.98		35.32 — 35.43	2.83		45.94 — 46.06	3.68				
3.57 — 3.68	.29		14.19 — 14.31	1.14		24.82 — 24.93	1.99		35.44 — 35.56	2.84		46.07 — 46.18	3.69				
3.69 — 3.81	.30		14.32 — 14.43	1.15		24.94 — 25.06	2.00		35.57 — 35.68	2.85		46.19 — 46.31	3.70				
3.82 — 3.93	.31		14.44 — 14.56	1.16		25.07 — 25.18	2.01		35.69 — 35.81	2.86		46.32 — 46.43	3.71				
3.94 — 4.06	.32		14.57 — 14.68	1.17		25.19 — 25.31	2.02		35.82 — 35.93	2.87		46.44 — 46.56	3.72				
4.07 — 4.18	.33		14.69 — 14.81	1.18		25.32 — 25.43	2.03		35.94 — 36.06	2.88		46.57 — 46.68	3.73				
4.19 — 4.31	.34		14.82 — 14.93	1.19		25.44 — 25.56	2.04		36.07 — 36.18	2.89		46.69 — 46.81	3.74				
4.32 — 4.43	.35		14.94 — 15.06	1.20		25.57 — 25.68	2.05		36.19 — 36.31	2.90		46.82 — 46.93	3.75				
4.44 — 4.56	.36		15.07 — 15.18	1.21		25.69 — 25.81	2.06		36.32 — 36.43	2.91		46.94 — 47.06	3.76				
4.57 — 4.68	.37		15.19 — 15.31	1.22		25.82 — 25.93	2.07		36.44 — 36.56	2.92		47.07 — 47.18	3.77				
4.69 — 4.81	.38		15.32 — 15.43	1.23		25.94 — 26.06	2.08		36.57 — 36.68	2.93		47.19 — 47.31	3.78				
4.82 — 4.93	.39		15.44 — 15.56	1.24		26.07 — 26.18	2.09		36.69 — 36.81	2.94		47.32 — 47.43	3.79				
4.94 — 5.06	.40		15.57 — 15.68	1.25		26.19 — 26.31	2.10		36.82 — 36.93	2.95		47.44 — 47.56	3.80				
5.07 — 5.18	.41		15.69 — 15.81	1.26		26.32 — 26.43	2.11		36.94 — 37.06	2.96		47.57 — 47.68	3.81				
5.19 — 5.31	.42		15.82 — 15.93	1.27		26.44 — 26.56	2.12		37.07 — 37.18	2.97		47.69 — 47.81	3.82				
5.32 — 5.43	.43		15.94 — 16.06	1.28		26.57 — 26.68	2.13		37.19 — 37.31	2.98		47.82 — 47.93	3.83				
5.44 — 5.56	.44		16.07 — 16.18	1.29		26.69 — 26.81	2.14		37.32 — 37.43	2.99		47.94 — 48.06	3.84				
5.57 — 5.68	.45		16.19 — 16.31	1.30		26.82 — 26.93	2.15		37.44 — 37.56	3.00		48.07 — 48.18	3.85				
5.69 — 5.81	.46		16.32 — 16.43	1.31		26.94 — 27.06	2.16		37.57 — 37.68	3.01		48.19 — 48.31	3.86				
5.82 — 5.93	.47		16.44 — 16.56	1.32		27.07 — 27.18	2.17		37.69 — 37.81	3.02		48.32 — 48.43	3.87				
5.94 — 6.06	.48		16.57 — 16.68	1.33		27.19 — 27.31	2.18		37.82 — 37.93	3.03		48.44 — 48.56	3.88				
6.07 — 6.18	.49		16.69 — 16.81	1.34		27.32 — 27.43	2.19		37.94 — 38.06	3.04		48.57 — 48.68	3.89				
6.19 — 6.31	.50		16.82 — 16.93	1.35		27.44 — 27.56	2.20		38.07 — 38.18	3.05		48.69 — 48.81	3.90				
6.32 — 6.43	.51		16.94 — 17.06	1.36		27.57 — 27.68	2.21		38.19 — 38.31	3.06		48.82 — 48.93	3.91				
6.44 — 6.56	.52		17.07 — 17.18	1.37		27.69 — 27.81	2.22		38.32 — 38.43	3.07		48.94 — 49.06	3.92				
6.57 — 6.68	.53		17.19 — 17.31	1.38		27.82 — 27.93	2.23		38.44 — 38.56	3.08		49.07 — 49.18	3.93				
6.69 — 6.81	.54		17.32 — 17.43	1.39		27.94 — 28.06	2.24		38.57 — 38.68	3.09		49.19 — 49.31	3.94				
6.82 — 6.93	.55		17.44 — 17.56	1.40		28.07 — 28.18	2.25		38.69 — 38.81	3.10		49.32 — 49.43	3.95				
6.94 — 7.06	.56		17.57 — 17.68	1.41		28.19 — 28.31	2.26		38.82 — 38.93	3.11		49.44 — 49.56	3.96				
7.07 — 7.18	.57		17.69 — 17.81	1.42		28.32 — 28.43	2.27		38.94 — 39.06	3.12		49.57 — 49.68	3.97				
7.19 — 7.31	.58		17.82 — 17.93	1.43		28.44 — 28.56	2.28		39.07 — 39.18	3.13		49.69 — 49.81	3.98				
7.32 — 7.43	.59		17.94 — 18.06	1.44		28.57 — 28.68	2.29		39.19 — 39.31	3.14		49.82 — 49.93	3.99				
7.44 — 7.56	.60		18.07 — 18.18	1.45		28.69 — 28.81	2.30		39.32 — 39.43	3.15		49.94 — 50.06	4.00				
7.57 — 7.68	.61		18.19 — 18.31	1.46		28.82 — 28.93	2.31		39.44 — 39.56	3.16							
7.69 — 7.81	.62		18.32 — 18.43	1.47		28.94 — 29.06	2.32		39								